

## **CCXAP affirms Zoucheng Urban Assets Holding Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 30 June 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Zoucheng Urban Assets Holding Group Co., Ltd.’s (“ZCUA” or the “Company”) long-term credit rating at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of ZCUA reflects Zoucheng City Government’s strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the Zoucheng City Government’s capacity to support reflects Zoucheng City’s relatively good economic strength and fiscal metrics, as one of the Top 100 counties in China.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) the largest state-owned asset operation entity by total assets in Zoucheng City; (2) important role in the development and construction in Zoucheng City; and (3) good track record of government support. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) relatively high debt burden; and (3) high contingent liabilities risk.

### **Corporate Profile**

Founded in 2003, ZCUA is the largest state-owned asset operation entity in Zoucheng City in terms of asset size. It is one of the key state-owned asset operation entities for Zoucheng City Government to implement strategic and economic development policies. The Company shoulders the responsibility for part of public infrastructure projects. It also engages in some commercial activities, including mining, trading, yeast production, as well as property leasing. As of 31 March 2026, ZCUA was directly and wholly owned by the Finance Bureau of Zoucheng City.

### **Rating Rationale**

#### **Credit Strengths**

**The largest state-owned asset operation entity in Zoucheng City by total assets.** There are five majors state-owned asset operation entities under the control of the Finance Bureau of Zoucheng City in Zoucheng City. Each of them has a clear position under the government’s planning. Among them, ZCUA is the largest one and its total assets are much larger than others. In addition, the Company has the largest outstanding amount of bonds among the state-owned asset operation entities in Zoucheng City. We believe that a default by ZCUA could have a significant impact on the local government’s reputation and local financing environment.

**Important role in the development and construction in Zoucheng City.** Along with the development of Zoucheng City, ZCUA has undertaken several major infrastructure construction projects including affordable housing in the mining areas, river management projects, road construction and improvement projects, and wastewater treatment plants. The Company also

conducts engineering construction by public bidding and the projects are mainly municipal projects such as urban roads, bridges, and sewage facilities.

**Good track record of government support.** The Company has a good track record of receiving support from the local government in terms of subsidies, special bond funds, asset injection and equity transfer. Considering the completion of ZCUA's infrastructure construction projects and large government-related receivables, the Company may receive the related government payments in the future. However, it may depend on the government's fiscal revenue and its planning.

### Credit Challenges

**Medium exposure to commercial activities.** The Company engages in various commercial activities including mining, trading, yeast production as well as property leasing. Based on our assessment, the Company's exposure to commercial activities is medium as the commercial assets accounted for less than 30% of total assets.

**Relatively high debt burden driven by ongoing construction investment.** The Company demonstrated moderate debt management with relatively high debt leverage and a concentrated debt structure. We expect the Company may maintain a relatively high total leverage ratio in the next 12-18 months considering future investment planning for its construction projects and slow government repayment. Furthermore, the Company's asset liquidity was weak which may weaken its financial flexibility.

**High contingent liability risk from external guarantees to local state-owned enterprises.** The Company bears high contingent risk resulting from large external guarantees. Most of the guarantees were provided to local SOEs, and this is mainly due to the increasing financing needs of local SOEs. However, in case a credit event occurs, the Company may face significant contingent liability risks and cross-default risks.

### Rating Outlook

The stable outlook on ZCUA's rating reflects our expectation that Zoucheng City Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in Zoucheng City will remain unchanged over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) the Zoucheng City Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improved debt management and reduced exposure to contingent liabilities.

#### What could downgrade the rating?

The rating could be downgraded if (1) the Zoucheng City Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local



government's willingness to provide support, such as reduced strategic significance, deteriorated refinancing ability, or increased exposure to commercial activities.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

### **Regulatory Disclosures**

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